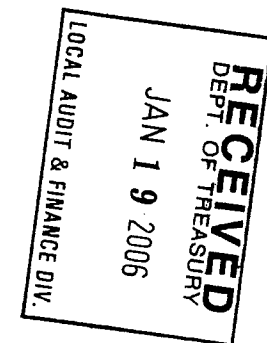


**Webster Memorial Library
Decatur, Michigan**

**Annual Financial Statements
and
Auditors' Report**

June 30, 2005



AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name WEBSTER MEMORIAL LIBRARY	County VAN BUREN
Audit Date 06/30/2005	Opinion Date 12/13/2005	Date Accountant Report Submitted to State: JANUARY 17, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable boxes for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL: 129/91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

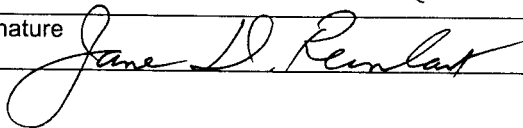
Certified Public Accountant (Firm Name) Yeo & Yeo, P.C.			
Street Address 710 E. Milham	City Kalamazoo	State MI	ZIP 49002
Accountant Signature 			

Table of Contents

<u>Section</u>		<u>Page</u>
1	Organization and Purpose	1 – 1
2	Independent Auditors' Report	2 – 1
3	Basic Financial Statements	
	Statement of Financial Position	3 – 1
	Statement of Activities and Net Assets	3 – 2
	Statement of Cash Flows	3 – 3
	Notes to Financial Statements	3 – 4
4	Supplemental Information	
	Independent Auditors' Report on Supplemental Financial Information	4 – 1
	Analysis of Cash Dividends	4 – 2
	Analysis of Stock Dividends	4 – 3
	Detail of Administrative and Operating Expenses	4 – 4
	Schedule of Investments – Stocks and Mutual Funds	4 – 5

Webster Memorial Library
Organization and Purpose
June 30, 2005

State of Incorporation

Michigan

Office

Decatur, Michigan

Trustees

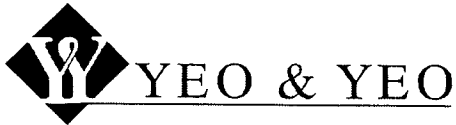
Oscar Newell President

Warren B. Grosvenor Secretary

Gordon Krum Treasurer

Trust Arrangement

Webster Memorial Library is a Michigan Charitable corporation formed March 23, 1960, Trust No. 1-61-460. It is managed by three trustees, and is responsible for maintaining a public library facility located in Decatur, Michigan, bearing the same name.



710 E. Milham
Kalamazoo, MI 49002
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Fax (269) 329-0626

Independent Auditors' Report

Trustees
Webster Memorial Library
Decatur, Michigan

We have audited the accompanying statement of financial position of Webster Memorial Library as of June 30, 2005, and the related statements of activities and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Webster Memorial Library as of June 30, 2005, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

December 13, 2005

Webster Memorial Library
Statement of Financial Position
June 30, 2005

Assets

Cash and cash equivalents		\$	22,861
Investment in marketable securities, at fair value			2,959,002
Property and equipment	\$	1,451,492	
Less: accumulated depreciation		<u>671,908</u>	<u>779,584</u>
Total assets		\$	<u><u>3,761,447</u></u>

Net Assets

Unrestricted		\$	<u><u>3,761,447</u></u>
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See Accompanying Notes to the Financial Statements

Webster Memorial Library
Statement of Activities and Net Assets
For the Year Ended June 30, 2005

Changes in unrestricted net assets

Revenue

Dividends

Cash

\$ 32,727

Stock

4,050

Total dividends

36,777

Other income

Interest income

123

Unrealized gains

251,553

Total other income

251,676

Total revenue

288,453

Expenses and losses

Operating and administrative expenses

Trust administration

18,268

Library operations

97,409

Depreciation

29,969

Total operating and administrative expenses

145,646

Losses

Loss on sale of investments

129,487

Total expenses and losses

275,133

Change in unrestricted net assets

13,320

Unrestricted net assets--July 1, 2004

3,748,127

Unrestricted net assets--June 30, 2005

\$ 3,761,447

See Accompanying Notes to the Financial Statements

Webster Memorial Library
Statement of Cash Flows
For the Year Ended June 30, 2005

Increase (decrease) in cash and cash equivalents

Cash flows from operating activities

Change in unrestricted net assets

\$ 13,320

Adjustments to reconcile change in unrestricted net assets to net
cash provided by operating activities:

Depreciation

29,969

Unrealized gains on investments

(251,553)

Stock dividends

(4,050)

Loss on sale of investments

129,487

Net cash used in operating activities

(82,827)

Cash flows from investing activities

Proceeds from sale of securities

100,000

Net decrease in cash and cash equivalents

17,173

Cash and cash equivalents - beginning of year

5,688

Cash and cash equivalents - end of year

\$ 22,861

See Accompanying Notes to the Financial Statements

Webster Memorial Library
Notes to the Financial Statements
June 30, 2005

**NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF
SIGNIFICANT ACCOUNTING POLICIES**

NATURE OF ACTIVITIES

The library operates as an independent entity from the Village of Decatur. A trust has been set up to provide funds to operate the library. The trust is managed by a board of three (3) appointed trustees.

The results of the Trust's operations are reflected in these financial statements.

CASH AND CASH EQUIVALENTS

For the purposes of the statement of cash flows, the Library considers all treasury bills, certificates of deposit, and money market funds purchased with an original maturity of three months or less to be cash equivalents.

MARKETABLE SECURITIES

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

PROPERTY AND EQUIPMENT

	Balance July 1, 2004	Additions	Disposals and Adjustments	Balance June 30, 2005
Land	\$ 101,449	\$ -	\$ -	\$ 101,449
Buildings and improvements	1,024,780			1,024,780
Books and equipment	126,177			126,177
Furnishings	26,724			26,724
Monument	12,683			12,683
Parking lot improvements	159,679	-	-	159,679
Total property and equipment	<u>\$ 1,451,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,451,492</u>

Property and equipment are stated at cost. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not added to the property and equipment account. For financial reporting purposes, the costs of property and equipment are depreciated over the estimated useful lives of the assets using the straight-line method. Current year depreciation is \$29,968. The asset lives are generally as follows:

Books and equipment	3 - 5 years
Furnishings	5 - 7 years
Buildings and improvements	15 - 39 years
Monument	15 years
Parking lot improvements	15 - 39 years

Webster Memorial Library
Notes to the Financial Statements
June 30, 2005

INCOME TAXES

The Library is exempt from federal income taxes under Section 501(c)3 of the Internal Revenue Service Code, and therefore, no provision for income taxes is included. The Library is classified as a non-private foundation.

BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Library and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Library and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Webster Memorial Library holds no temporarily restricted net assets as of June 30, 2005.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations mandating such assets to be maintained permanently by the Library. Generally, the donors of these assets permit the Library to use all or part of the income earned on any related investments for general or specific purposes. Webster Memorial Library holds no permanently restricted net assets as of June 30, 2005.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CONCENTRATIONS OF CREDIT RISK

Certain financial instruments potentially subject the Library to concentrations of credit risk. These financial instruments consist primarily of marketable securities.

The Library's marketable securities are in high quality stocks and mutual funds.

At various times during the fiscal year, the Library's cash in bank balances exceeded the Federally insured limits. At June 30, 2005, the Library's cash balance was insured in full.

Webster Memorial Library
Notes to the Financial Statements
June 30, 2005

NOTE 3 - COMMITMENTS

On December 15, 1998 the Library entered into an agreement with the Van Buren District Library to provide them with funds to cover general care and maintenance of the Library. The agreement is for the Library to pay 4% of the fair market value of the assets consisting of cash, cash equivalents and marketable securities held by the Library as of the preceding June 30 as shown by the annual audited financial statements. The annual distributions will be paid quarterly on January 2, April 1, July 1, and October 1. Any capital expenditures exceeding \$50,000 in any fiscal year of the Library shall be amortized over twenty years resulting in a 5% credit against the distributions in each year of the twenty year amortization period. The credit will be applied equally to each of the quarterly installments.



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Independent Auditors' Report On Supplemental Financial Information

Trustees
Webster Memorial Library
Decatur, Michigan

Our report on our audit of the basic financial statements of the Webster Memorial Library as of and for the year ended June 30, 2005, appears on page 2-1. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental financial information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

Kalamazoo, Michigan

December 13, 2005

Webster Memorial Library
Analysis of Cash Dividends
For the Year Ended June 30, 2005

Tri-Continental Corporation	\$ 13,461
Verizon Communications	9,516
Putnam Growth Fund	<u>9,750</u>
	<u>\$ 32,727</u>

Webster Memorial Library
Analysis of Stock Dividends
For the Year Ended June 30, 2005

	<u>Shares</u>	<u>Stock Dividends</u>
Fidelity Fund	311.988	\$ 2,167
Scudder Investment Portfolio - Capital Growth Fund	207.148	<u>1,883</u>
		\$ <u><u>4,050</u></u>

Webster Memorial Library
Detail of Administrative and Operating Expenses
For the Year Ended June 30, 2005

Administrative expenses

Compensation - trustees	\$ 13,500
Auditing services	4,155
Supplies and miscellaneous	<u>613</u>

Total administrative expenses	\$ <u><u>18,268</u></u>
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Operating expenses

Appropriations to Van Buren District Library	\$ 83,200
Janitorial services	599
Insurance	10,085
Repairs and maintenance	<u>3,525</u>

Total operating expenses	\$ <u><u>97,409</u></u>
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Webster Memorial Library
Schedule of Investments - Stocks and Mutual Funds
June 30, 2005

	<u>Shares</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
Tri-Continental Corp.	51,774.545	\$ 1,216,036	\$ 922,105	\$ (293,931)
Verizon Communications	6,100.000	42,500	210,755	168,255
Fidelity Fund, Inc.	24,149.574	542,171	718,208	176,037
Putnam Growth Fund	39,158.573	517,867	756,152	238,285
Scudder Investment Portfolio - Capital Growth Fund	8,062.855	<u>344,929</u>	<u>351,782</u>	<u>6,853</u>
Total		\$ <u><u>2,663,503</u></u>	\$ <u><u>2,959,002</u></u>	\$ <u><u>295,499</u></u>